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MANAGEMENT BY OBJECTIVES AND GOVERNMENTAL PRODUCTIVITY

David Ford Brumley

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THESIS

MANAGEMENT BY OBJECTIVES
AND GOVERNMENTAL PRODUCTIVITY

by

David Ford Brumley

September 1976

Thesis Advisor: J. W. Creighton

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MANAGEMENT BY OBJECTIVES AND GOVERNMENTAL PRODUCTIVITY

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I. INTRODUCTION

A. PURPOSE

Government managers, in all kinds of organizations, are under tremendous pressure to reduce costs and improve services at the same time. Because of the rapid growth in government services and organizations, there is increased competition for available resources. In this environment it is imperative that government managers objectively and thoroughly examine the productivity of their organizational units.

There are many reasons why people, working together in organizations, are not as efficient and effective as they could be. This thesis examines some of the reasons that are unique to, or at least prevalent in, government organizations. The thesis was written to assist government managers in examining productivity-related issues in their organizations.

This thesis includes an introduction and review of the system known as Management by Objectives. The underlying theory is appealingly simple and is based on two concepts: (1) the clearer the idea one has of what it is one is trying to accomplish, the greater the chances for accomplishing it; and (2) progress can only be measured in terms of what one is trying to make progress toward. The potential of MBO programs to increase the productivity of government organizations is examined.

The purpose of the thesis is to determine if the characteristic capabilities of MBO programs, appropriately tailored

and implemented, can improve the productivity of government organizations, and to assist those managers who are interested in implementing MBO.

B. SCOPE

The question of governmental productivity was approached by analyzing the organizational characteristics that may exist and that tend to prevent or discourage productivity. A number of counter-productive characteristics are identified and described. Organizational reward systems and their potential impact on productivity are discussed. The author notes that clarifying organizational objectives is both an essential prerequisite to productivity and a fundamental feature of MBO.

This effort is based on reading and analyzing material pertaining to MBO and governmental productivity, discussions with managers in federal and city government, and the judgement of the author. This thesis is conceptual in nature and does not attempt to give specific application guides for introducing MBO into government organizations nor does it attempt to define one "best" MBO program. It is hoped that this thesis will assist government managers to determine if implementing an MBO program will increase the productivity of their organization, and what organizational factors and attributes may influence successful implementation.

In far too many government organizations effectiveness is measured by the effort that is expended and the number of reports generated rather than by results. There are frequent changes in direction due to the lack of predetermined and

clearly communicated objectives. The waste of scarce public resources can be curtailed by dedicated professional managers who are determined to produce concrete and meaningful results.

II. REVIEW OF MBO

A. BACKGROUND

Management by Objectives is a system of management at the heart of which is a process whereby the superior and subordinate arrive at goals for the subordinate which are derived from or related to the goals of the superior [Tosi, 1973]. MBO involves a clear and precise identification of desired results, the establishment of a realistic program for their achievement, and an evaluation of performance in terms of measured results in achieving them [Morrisey, 1970].

Peter Drucker, a pioneer in the field of MBO, wrote:

> "What the business enterprise needs is a principle of management that will give full scope to individual strength and responsibility, and at the same time give common direction of vision and effort, establish teamwork and harmonize the goals of the individual with the common weal. The only principle that can do this is management by objectives and self-control" [Drucker, 1954].

Other well known authors who have written on the subject include Douglas McGregor, George Odiorne, Charles Hughes, George Morrisey, John Humble, and Anthony Raia.

The literature of MBO makes many claims about its advantages and benefits to an organization.

> "MBO has been credited with clarifying responsibilities, providing more objective criteria for performance appraisal, improving planning and control, and improving superior/subordinate relationships. It has been, depending on who is using it, an evaluation tool, a method of organizational analysis, a technique for organizational development, and a way to increase the participation and influence of subordinates" [Tosi, 1973].

On the other hand, nearly all the advocates of MBO admit that good managers have been essentially using MBO for many years even though some of the specific terminology and flow of activities may be relatively new. The logic of MBO is deceptively simple. Successful implementation, however, can be complex and difficult and may require changes in organizational reward systems and fundamental managerial behavior.

Managerial effectiveness is the focus of MBO. Managerial effectiveness is obviously crucial to the success of any organization. Reddin states that before a manager can operate with full effectiveness, he must:

"1. Understand the overall contribution his unit should make, which means knowing what his superior is responsible for.

2. Understand his role in his unit, which means knowing what he is responsible for achieving and knowing what his superior thinks is a good job.

3. Establish specific objectives which he intends to achieve in a determined time period.

4. Have the help of his superior in overcoming obstacles which may prevent the attainment of these objectives. These obstacles may lie in the organization, the job, the superior, or the manager himself.

5. Have a willingness to work to achieve his objectives, which may mean preparedness to change his behavior.

6. Receive concrete periodic feedback on his progress toward his objectives.

7. Be held responsible for his actions" [Reddin, 1971].

Formal MBO programs began in the late 1950's and early 1960's and were, for the most part, designed to improve the personnel performance appraisal function. The underlying theory was that managers should be judged on the basis of

progress toward agreed-upon goals rather than upon personal traits. Many executives feel that these programs have been, for the most part, not as useful as they had expected. A typical comment runs: "The ideas seemed so valid, but somehow they have not turned out to be all that we wanted" [Wikstrom, 1968]. In other organizations the concepts of MBO took root and evolved from a performance appraisal tool to a general approach to managing. In many cases this approach has led to a very real payoff in creating a better managed organization.

B. MBO PROCESSES

Depending on the authority cited, the processes involved in an MBO program can be divided into as many as twelve separate steps or as few as three. For our purposes we will consider a typical MBO program as consisting of four phases: goal setting, action planning, controlling, and reviewing.

1. Goal Setting

The setting of goals or objectives is the most critical activity in an MBO program. All the authorities agree that specifying appropriate objectives and explaining them clearly to others can be very difficult and that it takes time and creative thinking. Except for the very top level of an organization, objectives should be stated in quantifiable terms if at all possible. Statements of general objectives by top executives are an extremely useful first step in establishing an integrated network of objectives and in sorting out conflicting objectives at lower levels.

"There is no doubt that an agreed-upon set of objectives can improve employee performance. Research has shown that there is no substitute for a definite statement in which a person makes a commitment not only to others but to himself. Through this commitment, motivation as well as communication is achieved" [Hughes, 1965].

In organizations that do not have specific objectives for key areas it is generally assumed that managers know what needs to be done. This is often wishful thinking. The lack of agreed-upon objectives allows, perhaps even encourages, a manager to form his own ideas and to strive for short-range parochial gains, frequently to the detriment of the organization as a whole.

Much has been written about whether objectives should be formulated by a top-down or bottom-up process. Many organizations have found that the objective-setting process cannot be exclusively top-down or bottom-up if it is to be effective. The communication and planning effort, they find, must go in both directions [Wikstrom, 1968]. The critical concern is that when the process is finished the superior and subordinate are committed to what they both believe to be vital, attainable goals.

Some governmental organizations deal in services that lead readily to clearly understood objectives and tangible end products. Many government organizations, however, are not so fortunate. In the Department of Defense, for example, considerable resources are expended which hopefully lead to the "improved operational capability" of a weapon system. Such concepts are admittedly not easily quantified. It would be a serious error, however, for government managers to

conclude lightly that it is not possible to establish explicit objectives in their area. Even though it may be difficult to do, it is critical that the performance of individual employees and groups be linked to concrete end results to the maximum extent possible. The more difficult it is to state clear and concise objectives, the more likely it is that resources will be wasted in counter-productive effort.

Such intangible goals as "improving communications" are difficult to state in measurable terms but it may be possible to identify specific, measurable activities, which if accomplished, should lead to the goal. For example, "conducting individual discussions related to job and personal development on a planned schedule of not less than two employees per week" is a measurable activity which might be pursued in order to "improve communications" [Morrisey, 1970]. Some creative effort may be required in stating objectives in a manner that will facilitate measurement of progress, but it should be well worth the effort.

A good set of objectives will have the following characteristics:

be clear and concise
be quantified to the maximum extent possible
have time dimensions
be mutually agreed-upon
be vital and urgent
support the organization's overall goals
concentrate on what and when, not why and how
be linked to other, related activities
cause individuals to stretch their capabilities
be realistic
be frequently reviewed
concentrate organizational energy on the right activities
enhance productivity and quality

A set of objectives, once established, must be viewed as a dynamic instrument. Static objectives are generally useless and may even be destructive. The real world changes rapidly and when certain critical conditions change, it may well be necessary to change or modify objectives. Objectives should be reviewed frequently to ensure that they are current and valid. This cannot be done unless they are carefully spelled out.

2. Action Planning

Action planning answers the question, "How will we achieve the objective?" The plan of action may be simple or complex depending on the specific objective itself. Because of chain-of-command relationships, what may be a step in the action plan at one level of management may be assigned as an objective for someone at a lower level. The action plan for a moderately complex objective may be broken down to several levels of milestones and should show a time schedule and the resources required. PERT networks and milestones charts are examples of action plans for complex objectives.

3. Control

Planning, once completed, provides the basis for focusing attention and energy on performing the right activities. Controlling encompasses all the things a manager must do to ensure that the actual work performed matches the action plan and that resources are only expended to create a planned end result. Too many managers tend to go to extremes in the area of controlling. They either exercise no control at all

or far more than is necessary. A good MBO program can aid a manager in exercising the proper degree of control by making it explicit why certain activities are being performed and how they relate to a desired end result.

4. Review

Managers should establish firm dates to review the progress that has been made against that which was planned. Frequent review avoids "surprises" and helps to keep the stated objectives from becoming static and invalid. It also promotes good communications by providing a meaningful basis for superior/subordinate discussions. Periodic MBO reviews should not be confused with employee performance reviews although the two are certainly related. The MBO review should focus on progress toward organizational objectives rather than on individual performance.

III. GOVERNMENTAL PRODUCTIVITY

A. BACKGROUND

Government was the most rapidly growing sector of employment during the 1960's. Nearly 13 million people are employed by government organizations in the U.S. A recent editorial in the Wall Street Journal (August 2, 1976) noted that in the past twenty years the total state and local government payroll has climbed at three times the annual rate of the private sector payroll. The editorial states that in New York City "grocers and small businessmen have closed down and died off, victims of the crushing tax burden imposed in order to maintain the city's teachers, policemen, firemen, and civil servants." It closes by warning of the "mood of rebellion among voters and taxpayers."

> "Public resources are squeezed between expanding public demands for services and the rising cost of meeting those needs, on the one hand, and a growing resistance on the part of the public to provide more resources through higher taxes, on the other. One answer to this dilemma is improved productivity" [National Commission of Productivity, 1973].

There is a great deal of concern about the productivity of the government sector of our economy and there is general concensus that governmental productivity should be improved. The growing size and cost of the government sector forces those government organizations which are providing valuable service to the taxpayers into fierce competition for available tax dollars. It is clearly important that those issues which affect the productivity of government organizations be examined carefully.

The expenditure of resources, by members of an organization, which does not support the achievement of organizational goals is, generally, a waste of those resources. It is not possible for any organization to be productive unless its people have a clear understanding of its goals and objectives and are committed to a plan of action for achieving them. The question of productivity in any government organization cannot even be addressed until there is a clear understanding of its reason for existing. Government managers sometimes attempt to increase productivity by adding more "organization." Before taking this approach they should ask, "Exactly what is it we're trying to accomplish?"

It is not unusual in government organizations to find marked disagreement among units as to who is supporting whom. A great deal of inefficiency could be reduced by a clear statement of what piece of the action a specific organizational unit has. Lacking this understanding, an individual manager may find himself hard at work pursuing an implicit set of goals, busily performing activities which make relatively little contribution to the overall objectives of the organization, but which he thinks are pleasing to upper management. Studies have shown that when the boss's expectations are not met, the simple fact is that generally, the subordinate did not know what was expected of him [Odiorne, 1965].

Enhancement of productivity is brought about by making changes in the way resources (inputs) are used, in order to improve the results (outputs) of organizational efforts.

Before we can speak meaningfully of organizational productivity, or the lack thereof, we need to have a clear understanding of the desired end results of the organization. It is difficult to establish a clear set of organizational objectives under the best of circumstances. It is especially difficult in many government organizations. A recent study [Rainey, 1976] found that government organizations, as compared to private organizations, tend to exhibit:

> greater multiplicity and diversity of objectives
> greater vagueness and intangibility of objectives
> greater tendency of goals to be conflicting
> greater caution and rigidity, less innovativeness

These findings, rather than being accepted as valid reasons for inefficient operation, should serve to alert government managers and challenge them to strive for better clarity of purpose and integration of effort.

B. CHARACTERISTICS OF GOVERNMENT ORGANIZATIONS

One of the factors that limits productivity in any large organization, and particularly in government organizations, is the existence of complicated procedures designed to prevent mistakes. These procedures tend to become obsolete and block the development of new plans and ideas, thus limiting productivity.

> "Large organizations strive for control, clarity, and stability, while managers, particularly creative ones, fight for autonomy, self-control and change. Finding the right balance is not easy and failure to do so leads to either bureaucracy or anarchy" [Humble, 1970].

Government organizations need to try to find ways to clear away unnecessary and overly restrictive procedures that block the introduction of productivity-enhancing changes.

It is a widely accepted principle in management that managers should not be held responsible for results over which they have no control. However, in large government organizations such as the Department of Defense, responsibility is so dispersed that many managers find that they have sole control of practically nothing. This situation will lead to counter-productive efforts and general confusion unless there exists a system and a climate which encourages individual managers to communicate and agree on responsibility for shared objectives.

Peter Drucker believes that the way in which government institutions are paid is the basis for any major differences in performance between private business and government institutions. Businesses are paid only when they produce what the customer is willing to pay for. Government institutions, in contrast, are typically paid out of a budget allocation.

> "Efficiency and cost control, however much they are preached, are not really considered virtues in the budget-based institution. The importance of a budget-based institution is measured essentially by the size of its budget and the size of its staff" [Drucker, 1974].

Drucker does not suggest a better method of funding government organizations but he does believe that the inherent inefficiency can be largely offset through effective management.

One author speaks of management by "controls" [Hughes, 1965], another refers to management by "activity" [Morrisey, 1970]. Both are referring to the misplaced emphasis on <u>what</u> people are doing, rather than on <u>why</u> they are doing it; on

tasks rather than goals. This approach to management is found in many government organizations. With this approach it is easy to camouflage failure. Most job descriptions in government tend to emphasize activities or duties rather than results. A long, all-inclusive list of duties does nothing to communicate what results are expected and may actually steer the individual away from final results [Schleh, 1961]. No amount of "motivation" can produce satisfactory results in the absence of clear and mutually accepted goals. Government managers must continually remind themselves and their subordinates that it is results that count.

In the private sector the desired output of nearly all the organizational subunits is related to profit. A manager who has observed both public and private organization at close range remarked, "The profit motive aids in resolving issues in executive meetings in the private sector. Proposals and points of view are judged ultimately on their profit contribution. I have seen issues resolved rapidly in this manner that would have taken much longer to resolve in the Federal Government" [Olson, 1976]. The crucible of the market place refines business organizations, forcing them to stay (or become) productive. Businesses that are unresponsive or wasteful soon cease to exist. Government organizations, on the other hand, are not eliminated by any comparable forces when they become inefficient or ineffective.

C. ORGANIZATIONAL REWARD SYSTEMS

Managers in government frequently spend a great deal of time, energy, and imagination convincing their superiors that they need a bigger budget and more people to do their job. They frequently ask for, and attempt to justify, twice as much money as they expect to receive, knowing that their asking figure will be trimmed by half no matter how worthy the original figure was. Near the end of the budget year, managers make an extra effort to spend what is left over lest the surplus indicate that the total sum wasn't really needed and that next year's budget should be lowered accordingly. A chief reason for this "empire building" approach is that promotions and rewards for managers are frequently perceived to be based on budget size and organizational growth. The control of ever bigger annual budgets is a widely recognized, although unpublicized, criterion of executive potential in government organizations.

In an ideal situation, behavior that leads to increased productivity and moves an organization in the direction of its overall goals would be rewarded. If this were true, then the search for increased productivity would be reinforced by rewarding those who are most productive or who cause productivity to improve. We will therefore define the ideal reward system as a system which encourages the individuals in an organization to behave in a manner that supports the efficient production of the organization's desired outputs. This encouragement would come in the form of rewards that serve

as motivators. If, on the other hand, we were to examine those managers that succeeded, that rose rapidly in any organization, we could possibly determine why they actually were rewarded. The characteristics or behavior that is, in fact, rewarded would provide the key to the organization's real reward system.

There are no profit sharing plans in government and salaries are strictly limited by law. Given that salary is viewed as adequate, money is not a significant motivator for most government managers. What are some of the potential rewards that motivate government managers? Figure 1 lists some rewards as expressed by a group of high potential, mid-level federal managers at a recent seminar [Brumley, 1976]. The rewards listed in figure 1 are things they considered worth striving for. In an ideal reward system, behavior such as that described in the first column of figure 2 would lead to the desired rewards for individuals, and would at the same time enhance the productivity of the organization. Column 2 lists some characteristics or behavior that these individuals perceived to be valued in their organizations. As can be seen, the real reward system, in this case, could not be expected to increase organizational productivity. If figures 1 and 2 accurately depict the real reward system in government organizations, it should not be surprising that productivity is not as great as it might be.

The items listed in figures 1 and 2 are not in any order of importance and are not intended to be all inclusive. They

REWARDS
Prestigious committee assignments
High visibility assignments
Exciting assignments
Rapid promotions
Plush office - private office
Private secretary
Challenging assignments

Rewards for Managers

Figure 1

REWARDED BEHAVIOR	
Doing right things well	Bringing in money
Paying attention to customer needs	Personality, appearance
Cost cutting	Public speaking
Reducing staff size	Peer recognition
Improving efficiency, effectiveness	Recognized "expert"
	Seniority

Behavior Leading to Rewards

Figure 2

are simply intended to stimulate the reader to think about how to identify the characteristics and implications of organizational reward systems. It may take a great deal of time to change the operation of a counter-productive reward system. The first step is to recognize its existence.

Inflated staffing plans, inflated budgets, and counter-productive reward systems hardly encourage efficiency. What does this have to do with MBO? Simply this, if government managers had agreed-upon statements of roles, missions, and objectives, they would have a basis for making cost effective decisions, and this in turn could lead to a better basis for judging and rewarding managerial performance. A system that defines what a manager is responsible for, in concrete terms, and follows up on progress, is essential in any efficient organization.

It is of the utmost importance that the productivity of government organizations in our society be improved. To do this we must examine carefully the characteristics of government organizations and understand the implications that those characteristics have on productivity. We must then utilize carefully tailored management methods that will lead to more effective utilization of scarce resources. Informed government managers, determined to produce meaningful results, and armed with systematic techniques, can improve productivity at all levels of government.

IV. MBO APPRAISAL

A. THE RANGE OF MBO PROGRAMS

Based on a review of the principles and techniques of MBO, and an examination of the unique managerial needs of government organizations, it appears that a wider application of MBO in government organizations would be appropriate. Even though there are significant differences between government and business organizations, government managers who are interested in applying the techniques of MBO can learn some valuable lessons from the successes and failures in private industry. There is sufficient experience available to avoid a disappointing and abortive attempt at MBO. The range of programs extends from very elaborate, formal systems with heavy reporting requirements to very simple systems in which individual managers are essentially free to implement as they see fit. They range from highly successful to complete failure. The more successful programs are viewed by those involved as a way of managing, not as an addition to the manager's job.

General Mills, Inc., introduced an MBO performance appraisal program in 1954. The effort was viewed by managers as "a personnel program" and the results were disappointing. However, the concepts of MBO were picked up by some top managers and the emphasis shifted in the late fifties to an integrated planning and control system. MBO has become a way of doing business at General Mills [Wikstrom, 1968].

One of the more informal MBO programs was designed for the Wells Fargo Bank. Initially emphasis was placed on training management personnel in the techniques and potential benefits. Individual managers were allowed to judge for themselves whether or not MBO was applicable to their particular group and, if so, company support and services were provided. Support included third-party consultation and assistance in the objective-setting process. Wells Fargo decided against a preordained or "set" program and emphasized how the process could meet the needs of their managers, not what ought to be done. They opted for a flexible, pragmatic, user-oriented, long-term (3 to 5 years) approach [Lasagna, 1971].

B. BENEFITS AND PITFALLS

The concepts of MBO essentially represent a pragmatic approach to the normal management functions of planning and control. A primary benefit of MBO is the degree of rigor which is introduced into the planning and control functions. If it is felt that additional rigor is needed in these areas, then MBO could be useful. More rigorous control plus the additional commitment which is possible through the application of MBO, results in managers being more likely to achieve whatever they set out to achieve.

> "Many men who have had several years experience planning under an MBO program admit that they had not really thought in terms of end results before they began to set objectives for their work. Because they were accustomed to working, they thought in terms of work, not results. In fact, they equated the two--results were what you got if you worked hard enough. Now they think of the desired

> results first and then decide what work will be needed to achieve them. The difference is subtle, they say, and one that can be learned only from experience" [Wikstrom, 1968].

The prospective user of MBO should be aware of the problems that can occur. Some proponents of MBO have a tendency to sweep aside the negative reactions of participants. Frequently heard complaints include:

> MBO is used as a whip
> It increases the amount of paperwork in the system
> Too much time is spent counseling with subordinates
> Superiors demand stated goals in all areas and this is impossible
> Spontaneous requirements are not recognized
> Not enough emphasis is placed on the changing needs of management
> It is just an appendage to the administrative system.

Steering away from these problems during the design and implementation phases will increase the probability of success of a program.

There is a strong temptation, in the design phase, to try to develop a program that will do everything for everybody. Unless this temptation is strongly resisted, disaster can be assured. Attempting to accomplish too much, too soon, is one of the major reasons for problems when trying to implement any broad, organization-wide program in a large organization. Nothing kills a good idea faster than to institutionalize it. One experienced MBO specialist said, not too facetiously, "The effectiveness of an MBO program is inversely proportional to the number of MBO forms."

A major problem in intelligent program design is deciding where not to apply MBO. Trying to apply a program to every

job in an organization may be a mistake. No position or job should be included in an MBO program unless:

- the employee has significant assets under his control
- the employee exercises discretion over the inputs and outputs of his position
- the organization's overall effectiveness would benefit from better planning and controlling by the employee.

If the individual knows what he needs to do and is doing a good job, leave him alone!

Some organizations have attempted to extend their MBO programs to areas where their employees are performing more-or-less routine maintenance or production functions. This is not a sensible application of MBO and usually leads to the opposite result from what was intended. Employees who have little or no discretion over what they do, tend to become frustrated when MBO is forced on them. Conferences between superior and subordinate for the purpose of setting objectives or appraising performance frequently lead to disappointment on both sides. The superior thinks the employee is non-cooperative and the employee thinks, "Why doesn't he leave me alone and let me get my work done?" The real problem is an inappropriate application of MBO. Careful attention should be given to limiting an MBO program to only those positions where it makes sense.

C. IMPLEMENTING MBO

It is imperative that managers take a far-sighted view when introducing MBO. Overnight results are not the rule. This is a particularly critical consideration in government organizations since policy makers tend to have rather short

time horizons. Budget cycles and major program reviews are generally annual. Tours of duty of military officers tend to be 2 years in length. There is often a rapid turnover in high level government managers. These and other factors tend to hinder long-range planning in government organizations. Most authorities agree that 3 to 5 years is not an unusual length of time to establish a worthwhile, functioning MBO program.

As in any new management program, the full support and confident expectations of the highest applicable level of management is crucial to the success of an MBO program. No organization should try to introduce MBO unless management is truly committed to a long-term effort to make it work. Not only must top management be involved in defining the objectives of the organization, but they must also be receptive to comments, criticisms, and suggestions from their subordinates [Humble, 1972].

Most successful MBO programs have required an advisor or a team of advisors to help get the program started. If the advisor is of the highest caliber and is respected within the organization, then management has done a great deal to show its support. The advisor can be an outsider or an insider but he must be able to communicate the techniques of MBO and he must be able to facilitate changes in the relationships between people [Humble, 1972].

The use of MBO in government organizations is essentially a new field. Limited experience has shown that this application

requires new perceptions. Business experience is transferable only when carefully tailored to fit the different environment. Provided the fundamental concepts of MBO are refined to meet the special circumstances, the benefits to government organizations can be significant [Humble, 1972].

V. SUMMARY

There are no short cuts, no easy methods for increasing productivity in government organizations. A "cookbook" application of MBO or any other systematic management program will surely result in frustration and disappointment. "There is no one best way to manage by objectives!" [Raia, 1974]. Each program must be carefully tailored to the particular characteristics and needs of individual organizational units. If top management expects rapid implementation and uniform application of a highly structured program, they will probably eventually conclude that the effort expended on MBO was a waste of time. However, MBO techniques, intelligently utilized, can help government managers clarify issues, eliminate waste, and focus on results. MBO programs should not be applied in areas where employees have no significant assets under their control or very little discretion with regard to the output of their job.

The key to productivity in any organization is managerial effectiveness. Provided the necessary environmental factors are present, and with strong management commitment, MBO can improve the managerial effectiveness of an organization. Special attention is required in government due to the fact that keen competition and the profit motive, which tend to keep private business organizations efficient, are lacking. The first step for a government organizational unit desiring

to increase its productivity is to establish clearly, concisely, and in writing, what its overall objectives are.

A critical environmental factor in government for a succesful MBO program is the absence of counter-productive reward systems. Employees at all levels in an organization must be convinced, by example, that behavior leading to improved efficiency and productivity is indeed valued and rewarded. This is a consideration that should not be taken lightly.

> "MBO avoids subjective evaluation; personality plays a less important role. MBO assumes that managerial behavior is more important than personality and that behavior should be defined in terms of results measured against established goals" [Odiorne, 1965].

MBO can produce beneficial results in an organization only if the assumptions stated by Odiorne are, in fact, true.

The techniques of MBO focus on some of the same issues that often impair the effectiveness of government organizations. The match between the management needs of government organizations and the inherent capabilities and potential benefits of MBO warrants the attention of government managers.

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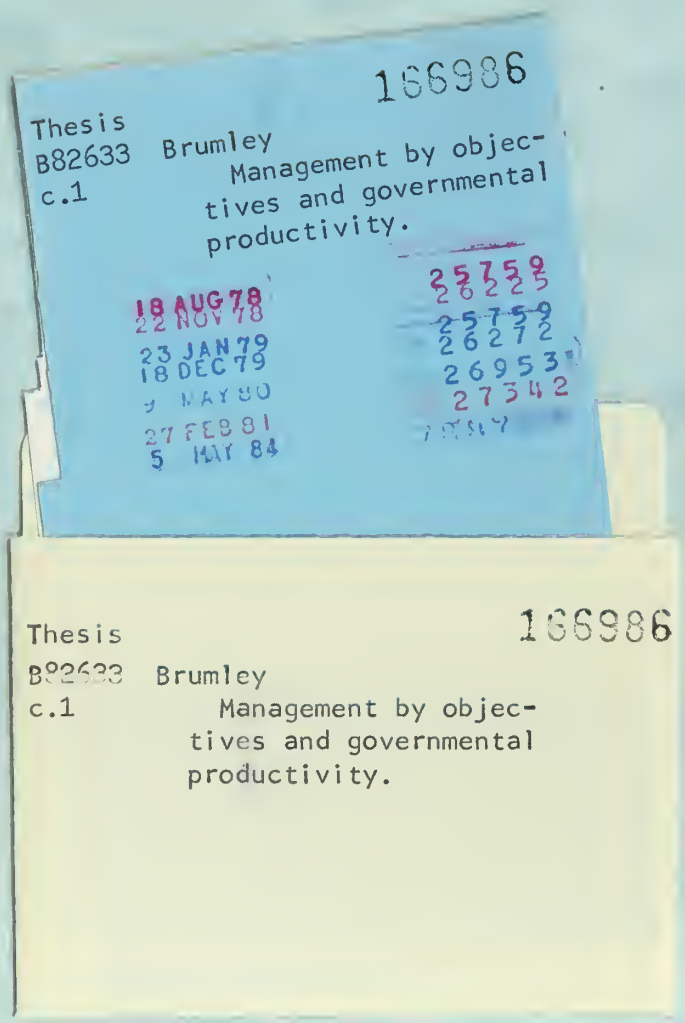
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